

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

REMOVAL OF RETURN RECEIPT FOR
MERCHANDISE SERVICE FROM THE MAIL
CLASSIFICATION SCHEDULE

Docket No. MC2015-8

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO ORDER NO. 2322**
(January 28, 2015)

The United States Postal Service hereby provides its response to Order No. 2322, which was issued on January 15, 2015. In that Order, the Postal Regulatory Commission (“PRC” or “Commission”) determined that the Postal Service’s request to remove Return Receipt for Merchandise (“RRM”) Service from the Mail Classification Schedule (“MCS”) satisfied the requirements of 39 U.S.C. § 3642 and 39 C.F.R. § 3020.30 *et seq.*, but also constituted a rate adjustment, pursuant to 39 U.S.C. § 3622 and 39 C.F.R. § 3010, and was thus subject to the inflation-based price cap.¹ To comply with the Commission’s decision, the Postal Service was given two options: 1) to move forward with the removal of RRM Service, which would require the Postal Service to recognize a 0.01 percent rate increase for the Special Services class; or 2) to retain RRM Service with no impact on the price cap.² The Postal Service was directed to

¹ Order No. 2322: Order Conditionally Approving Removal of Return Receipt for Merchandise Service from Mail Classification Schedule (*hereinafter* “Order 2322”), PRC Docket No. MC2015-8 (November 21, 2013), at 14-15. As the PRC noted in its order, a similar Commission finding – that mail preparation rules for Full Service IMb constituted a rate adjustment under 39 U.S.C. § 3622 and 39 C.F.R. § 3010 – is currently on appeal with the U.S. Court of Appeals for the D.C. Circuit.

² *Id.* at 14-15.

notify the Commission of how it planned to address the Commission's finding no later than January 28, 2015.³

In compliance with that directive, the Postal Service hereby provides notice that it is electing to indefinitely defer the removal of RRM service from the MCS.⁴ The Postal Service maintains that removing RRM service makes business sense, advances the factors and objectives of Title 39, and, as the Commission found, complies with the requirements of 39 U.S.C. § 3642 and 39 C.F.R. § 3020.30 *et seq.*⁵ This ought to have been sufficient to justify the removal of RRM service from the MCS. By forcing the Postal Service to choose between maintaining an outmoded service and surrendering space under the price cap, the Commission has overstepped its authority under 39 U.S.C. § 3622.⁶ The intent of the Congress in passing the Postal Accountability and Enhancement Act was to afford the Postal Service true pricing flexibility. The Commission's findings in this case ignore Congressional intent, inappropriately expand the scope of the price cap, and erode whatever pricing flexibility the Postal Service purportedly enjoys.

³ *Id.*

⁴ In this regard, the Postal Service will file a notice with the Federal Register announcing the deferred removal of RRM service from the Mail Classification Schedule.

⁵ Order 2322, at 14.

⁶ This is especially true here, since additional revenues from the supposed 0.01 percent "price increase" would have likely been illusory. Though the Commission's price cap calculations assume that all existing RRM customers would switch to the higher priced Certified Mail service (with Hardcopy Return Receipt), the Postal Service presented evidence in this docket that suggests that customers are more likely to switch to the lower priced Signature Confirmation service. See Request of the United States Postal Service to Remove Return Receipt for Merchandise Service from the Mail Classification Schedule, Attachment B, at 6, n. 11 (Nov. 17, 2014); Response of the United States Postal Service to Chairman's Information Request No. 1 (December 10, 2014). Accordingly, if the Postal Service were to implement the price increase proposed by the Commission, it would likely realize significantly less revenue than the price cap calculations assume, and possibly a net revenue loss.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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